

Consensus Revenue Agreement

Executive Summary

May 16, 2011

Economic and Revenue Forecasts
Fiscal Years 2011, 2012 and 2013



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Table 1
Consensus Economic Forecast

May 2011

	Calendar 2010 Actual	Percent Change from Prior Year	Calendar 2011 Forecast	Percent Change from Prior Year	Calendar 2012 Forecast	Percent Change from Prior Year	Calendar 2013 Forecast	Percent Change from Prior Year
United States								
Real Gross Domestic Product (Billions of Chained 2005 Dollars)	\$13,248	2.9%	\$13,579	2.5%	\$13,973	2.9%	\$14,406	3.1%
Implicit Price Deflator GDP (2005 = 100)	110.7	1.0%	112.5	1.6%	114.4	1.7%	116.6	1.9%
Consumer Price Index (1982-84 = 100)	218.1	1.6%	224.8	3.1%	229.5	2.1%	234.1	2.0%
Consumer Price Index - Fiscal Year (1982-84 = 100)	217.4	1.7%	222.8	2.5%	228.4	2.5%	232.7	1.9%
Personal Consumption Deflator (2005 = 100)	111.1	1.7%	113.7	2.3%	115.7	1.8%	117.7	1.7%
3-month Treasury Bills Interest Rate (percent)	0.1		0.1		0.3		0.7	
Aaa Corporate Bonds Interest Rate (percent)	4.9		5.0		5.0		5.0	
Unemployment Rate - Civilian (percent)	9.6		9.0		8.8		8.3	
Wage and Salary Employment (millions)	129.818	-0.8%	131.120	1.0%	133.350	1.7%	135.750	1.8%
Housing Starts (millions of starts)	0.585	5.6%	0.625	6.8%	0.865	38.4%	1.106	27.9%
Light Vehicle Sales (millions of units)	11.5	10.6%	13.0	13.0%	14.6	12.3%	15.2	4.1%
Passenger Car Sales (millions of units)	5.7	3.6%	6.7	17.5%	7.5	11.9%	7.7	2.7%
Light Truck Sales (millions of units)	5.8	18.4%	6.3	8.6%	7.1	12.7%	7.5	5.6%
Big 3 Share of Light Vehicles (percent)	44.2		45.6		45.0		45.0	
Michigan								
Wage and Salary Employment (thousands)	3,861	-0.3%	3,927	1.7%	3,966	1.0%	4,014	1.2%
Unemployment Rate (percent)	12.5		10.2		9.8		9.5	
Personal Income (millions of dollars)	\$351,830	2.8%	\$369,070	4.9%	\$379,773	2.9%	\$396,483	4.4%
Real Personal Income (millions of 1982-84 dollars)	\$171,553	2.0%	\$174,915	2.0%	\$176,638	1.0%	\$180,960	2.4%
Wages and Salaries (millions of dollars)	\$174,256	2.1%	\$182,446	4.7%	\$188,467	3.3%	\$195,440	3.7%
Detroit Consumer Price Index (1982-84 = 100)	205.1	0.8%	211.0	2.9%	215.0	1.9%	219.1	1.9%

Table 2
May 2011 Consensus Forecast
(millions)

Net Revenue Estimates								
	<u>FY 2010</u>	<u>FY 2011</u>		<u>Change</u>	<u>FY 2012</u>		<u>FY 2013</u>	
	<u>Actual</u>	<u>Jan 2011 Consensus</u>	<u>May 2011 Consensus</u>	<u>From January</u>	<u>Jan 2011 Consensus</u>	<u>May 2011 Consensus</u>	<u>Change From January</u>	
							<u>May 2011 Consensus</u>	
Net GF-GP Revenue	\$6,785.2	\$7,227.8	\$7,524.1	\$296.3	\$7,294.1	\$7,651.0	\$356.9	\$7,517.2
Growth	-7.9%	6.5%	10.9%		0.9%	1.7%		-1.7%
Net SAF Revenue	\$10,816.9	\$10,979.1	\$11,111.5	\$132.4	\$11,193.7	\$11,335.3	\$141.7	\$11,626.4
Growth	-1.0%	1.5%	2.7%		2.0%	2.0%		2.6%
Combined GF-GP/SAF	\$17,602.1	\$18,206.9	\$18,635.6	\$428.7	\$18,487.8	\$18,986.3	\$498.6	\$19,143.6
Growth	-3.7%	3.4%	5.9%		1.5%	1.9%		0.8%

Revenue Limit Calculation					Long Term Revenue Trend		
	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>		<u>FY 2014</u>	<u>FY 2015</u>
Personal Income	\$349,612	\$342,302	\$351,830	\$369,070	Net GF-GP Revenue	\$7,414.0	\$7,363.4
Ratio	9.49%	9.49%	9.49%	9.49%	Growth	-1.4%	-0.7%
Revenue Limit	\$33,178.2	\$32,484.5	\$33,388.7	\$35,024.7	Net SAF Revenue	\$11,977.1	\$12,356.3
Revenue Subject to Limit	\$24,265.6	\$25,581.2	\$26,218.9	\$26,613.0	Growth	3.0%	3.2%
Amount Under (Over) Limit	\$8,912.6	\$6,903.3	\$7,169.8	\$8,411.7	Combined GF-GP/SAF	\$19,391.1	\$19,719.7
					Growth	1.3%	1.7%

Note: CY 2008 Personal Income is used for the FY 2010 revenue limit calculation, CY 2009 for FY 2011, CY 2010 for FY 2012, and CY 2011 for FY 2013.

Budget Stabilization Fund Calculation		School Aid Index	
FY 2012 Calculations - Pay-In	\$255.8	Revenue Adjustment Factor	<u>FY 2012</u> 1.0225
FY 2013 Calculations	NO PAY-IN OR PAY-OUT	Pupil Membership Factor	<u>FY 2013</u> 1.0212
		School Aid Index	1.0100
			1.0334
			1.0314

Table 3
May 2011 Consensus Forecast With Tax Plan Impact
(millions)

	Net Revenue Estimates With Tax Plan Impact							
	<u>FY 2011</u>	<u>FY 2012</u>				<u>FY 2013</u>		
	<u>May 2011 Consensus</u>	<u>May 2011 Consensus Before Tax Plan</u>	<u>Tax Plan</u>	<u>May 2011 Consensus After Tax Plan</u>	<u>Change From January</u>	<u>May 2011 Consensus Before Tax Plan</u>	<u>Tax Plan</u>	<u>May 2011 Consensus After Tax Plan</u>
Net GF-GP Revenue	\$7,524.1	\$7,651.0	\$154.7 ¹⁾	\$7,805.7	\$511.6	\$7,517.2	\$438.0	\$7,955.2
Growth	10.9%	1.7%		3.7%		-1.7%		1.9%
Net SAF Revenue	\$11,111.5	\$11,335.3	(\$689.9)	\$10,645.4	(\$548.3)	\$11,626.4	(\$662.1)	\$10,964.3
Growth	2.7%	2.0%		-4.2%		2.6%		3.0%
Combined GF-GP/SAF	\$18,635.6	\$18,986.3	(\$535.2)	\$18,451.1	(\$36.7)	\$19,143.6	(\$224.0)	\$18,919.6
Growth	5.9%	1.9%		-1.0%		0.8%		2.5%

1) Excludes \$25 million cost to implement the tax changes.

Prepared By: Office of Revenue and Tax Analysis, Michigan Department of Treasury

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